

LONE TREE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

LONE TREE COMMUNITY SCHOOL DISTRICT

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LONE TREE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Joel Yedlik	Board President	2015
Christina Magruder	Board Vice President	2017
Sheila Burr	Board Member	2015
Mike Waldschnmidt	Board Member	2015
James Loan	Board Member	2017

School Officials

Michael Reeves	Superintendent	2016
Kelli D. Forbes	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

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Independent Auditor's Report

To the Board of Education of
Lone Tree Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District, Lone Tree, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Lone Tree Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lone Tree Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 1, 2016 on my consideration of Lone Tree Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lone Tree Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lone Tree Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,719,717 in fiscal 2014 to \$4,550,456 in fiscal 2015, and General Fund expenditures increased from \$4,697,705 in fiscal 2014 to \$4,697,735 in fiscal 2015. The District's General Fund balance decreased from \$1,037,671 in fiscal 2014 to \$909,414 in fiscal 2015, a 13% decrease.
- The decrease in General Fund revenues was mostly attributable to a decrease in state foundation aid. The increase in General Fund expenditures is due to increase in salaries and benefits. These two things in turn lowered our General Fund balance for fiscal year 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lone Tree Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lone Tree Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Lone Tree Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Lone Tree Community School District Annual Financial Report

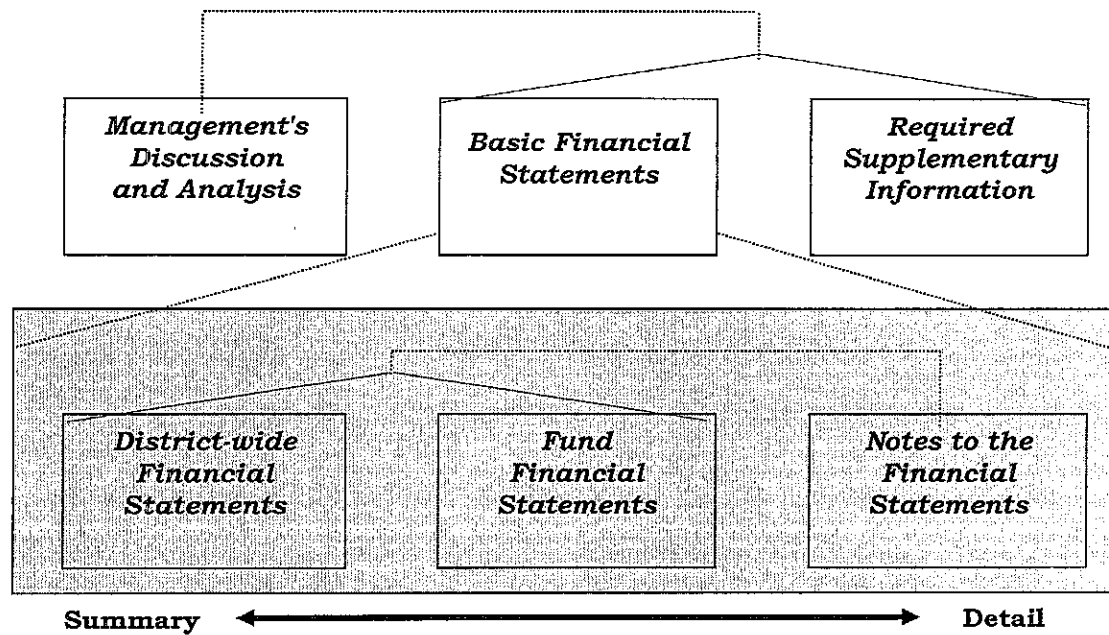


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same

as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund and one internal service fund, Flex-benefit fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary fund include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 3,711,881	\$ 3,820,996	\$ 6,508	\$ 72,954	\$ 3,718,389	\$ 3,893,950	-4.51%
Capital assets	<u>3,885,641</u>	<u>3,722,986</u>	<u>87,327</u>	<u>5,032</u>	<u>3,972,968</u>	<u>3,728,018</u>	6.57%
Total assets	<u>7,597,522</u>	<u>7,543,982</u>	<u>93,835</u>	<u>77,986</u>	<u>7,691,357</u>	<u>7,621,968</u>	0.91%
Deferred outflows of resources	<u>379,732</u>	-	<u>9,200</u>	-	<u>388,932</u>	-	100.00%
Long-term liabilities	3,403,515	1,919,712	25,665	-	3,429,180	1,919,712	78.63%
Other liabilities	<u>154,201</u>	<u>95,753</u>	<u>2,016</u>	<u>262</u>	<u>156,217</u>	<u>96,015</u>	62.70%
Total liabilities	<u>3,557,716</u>	<u>2,015,465</u>	<u>27,681</u>	<u>262</u>	<u>3,585,397</u>	<u>2,015,727</u>	77.87%

Deferred inflows of resources	<u>2,382,019</u>	<u>1,741,013</u>	<u>9,787</u>	<u>-</u>	<u>2,391,806</u>	<u>1,741,013</u>	37.38%
Net position							
Net investment in							
capital assets	2,176,881	1,952,986	6,508	5,032	2,183,389	1,958,018	11.51%
Restricted	926,801	875,062	-	-	926,801	875,062	5.91%
Unrestricted	<u>(1,066,164)</u>	<u>959,456</u>	<u>59,059</u>	<u>72,692</u>	<u>(1,007,105)</u>	<u>1,032,148</u>	-197.57%
Total net position	<u>\$ 2,037,518</u>	<u>\$ 3,787,504</u>	<u>\$ 65,567</u>	<u>\$ 77,724</u>	<u>\$ 2,103,085</u>	<u>\$ 3,865,228</u>	-45.59%

The District's total net position decreased by approximately 45%, or \$1,762,142, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$51,739, or approximately 6% over the prior year. The increase is primarily in the Statewide Sales, Services and Use Tax fund and PPEL fund due to a slight increase in revenue and the increased fund balance carried forward from last year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,039,253, or approximately 198%. The decrease occurred primarily due to the implementation of GASB Statement No. 68.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,071,264 and \$31,542, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service and sales	\$ 923,100	\$ 941,577	\$ 111,820	\$ 117,748	\$ 1,034,920	\$ 1,059,325	-2.30%
Operating grants	726,748	733,771	139,592	130,991	866,340	864,762	0.18%
General revenues							
Property tax	1,961,694	1,917,569	-	-	1,961,694	1,917,569	2.30%
Local option sales, services and use tax	385,472	369,496	-	-	385,472	369,496	4.32%
Unrestricted state grants	1,724,009	1,851,361	-	-	1,724,009	1,851,361	-6.88%
Contributions and donations	-	32,508	-	-	-	32,508	-100.00%
Unrestricted investment earnings	579	825	50	81	629	906	-30.57%
Other	<u>6,114</u>	<u>14,063</u>	<u>-</u>	<u>-</u>	<u>6,114</u>	<u>14,063</u>	-56.52%
Total revenues	<u>5,727,716</u>	<u>5,861,170</u>	<u>251,462</u>	<u>248,820</u>	<u>5,979,178</u>	<u>6,109,990</u>	-2.14%
Program expenses							
Governmental activities							
Instruction	3,383,770	3,296,444	-	-	3,383,770	3,296,444	2.65%
Support services	1,552,566	1,723,115	-	-	1,552,566	1,723,115	-9.90%
Non-instructional programs	15,162	12,448	232,077	244,120	247,239	256,568	-3.64%
Other expenses	<u>453,946</u>	<u>590,412</u>	<u>-</u>	<u>-</u>	<u>453,946</u>	<u>590,412</u>	-23.11%
Total expenses	<u>5,405,444</u>	<u>5,622,419</u>	<u>232,077</u>	<u>244,120</u>	<u>5,637,521</u>	<u>5,866,539</u>	-3.90%
Excess before special item	322,272	238,751	19,385	4,700	341,657	243,451	40.34%
Special item - gain (loss) on disposal of fixed assets	<u>(993)</u>	<u>2,938</u>	<u>-</u>	<u>-</u>	<u>(993)</u>	<u>2,938</u>	133.80%
Change in net position	321,279	241,689	19,385	4,700	340,664	246,389	38.26%
Net position beginning of year, as restated	<u>1,716,240</u>	<u>3,545,815</u>	<u>46,182</u>	<u>73,024</u>	<u>1,762,422</u>	<u>3,618,839</u>	-51.30%
Net position end of year	<u>\$ 2,037,519</u>	<u>\$ 3,787,504</u>	<u>\$ 65,567</u>	<u>\$ 77,724</u>	<u>\$ 2,103,086</u>	<u>\$ 3,865,228</u>	-45.59%

In fiscal year 2015, property tax and unrestricted state grants account for approximately 65% of governmental activities revenue while charges for service and sales and operating grants and contributions accounts for almost 100% of business type activities revenue.

The District's total revenues were \$5,979,178 of which \$5,727,716 was for governmental activities and \$251,462 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% decrease in revenues and a 4% decrease in expenses. The decrease in revenues is primarily because of a decrease in state foundation aid, local option tax, services and use tax and contributions and donations. The decrease in expenses is primarily related to salary changes.

Governmental Activities

Revenues for governmental activities were \$5,727,716 and expenses were \$5,405,444 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014- 2015	2015	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 3,383,770	\$ 3,296,444	2.6%	\$ 1,916,799	\$ 1,794,614	6.8%
Support services	1,552,566	1,723,115	-9.9%	1,537,958	1,718,343	-10.5%
Non-instructional programs	15,162	12,448	21.8%	15,162	12,448	21.8%
Other expenses	<u>453,946</u>	<u>590,412</u>	-23.1%	<u>285,677</u>	<u>421,666</u>	-32.3%
Total expenses	<u>\$ 5,405,444</u>	<u>\$ 5,622,419</u>	-3.9%	<u>\$ 3,755,596</u>	<u>\$ 3,947,071</u>	-4.9%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$923,100.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$726,748.
- The net cost of governmental activities was financed with \$2,347,166 in property and other taxes and \$1,724,009 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$251,462, representing a 1% increase over the prior year, while expenses totaled \$232,077, a 5% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lone Tree Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,798,220, slightly below last year's ending fund balances of \$1,804,257.

Governmental Fund Highlights

- The District's General Fund balance decreased by \$128,257.

-
- The Capital Projects – Statewide Sales, Services and Use Tax Fund balance increased from \$501,052 in 2014 to \$536,083 in 2015.
 - The Debt Service Fund balance increased slightly from \$6,512 in 2014 to \$8,705 in 2015.

Proprietary Fund Highlights

Enterprise Funds net position increased from \$59,059 at June 30, 2014 to \$65,567 at June 30, 2015 representing an increase of approximately 11%. This change is due to slight increases in our preschool fund due to additional tuition paid. The District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2015, the Lone Tree Community School District did not amend its adopted budget.

The District's revenues were \$153,322 less than budgeted revenue, a variance of 3%.

Total expenditures were \$521,816 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$3,718,389, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$316,951.

The original cost of the District's capital assets was \$7,712,739. Governmental funds account for \$7,539,010, with the remainder of \$173,729 accounted for in the enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and improvements category, which decreased from \$2,762,842 at June 30, 2014 to \$2,683,900 at June 30, 2015 due to annual depreciation expense during 2015.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 162,365	\$ 162,365	\$ -	\$ -	\$ 162,365	\$ 162,365	0.00%
Buildings and improvements	2,683,900	2,762,842	-	-	2,683,900	2,762,842	-2.86%
Improvements other than buildings	-	-	-	-	-	-	0.00%
Furniture and equipment	865,616	797,779	6,508	5,032	872,124	802,811	8.63%
Totals	<u>\$3,711,881</u>	<u>\$3,722,986</u>	<u>\$ 6,508</u>	<u>\$ 5,032</u>	<u>\$3,718,389</u>	<u>\$ 3,728,018</u>	-0.26%

Long-Term Debt

At June 30, 2015, the District had \$3,429,180 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District continues to carry a general obligation bond rating of Aa2 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.3 million.

Figure A-7

Outstanding Long-term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2015	2014 (restated)	2014-2015
Governmental activities			
Refunding bonds	\$ 1,535,000	\$ 1,770,000	-13.28%
Termination benefits	24,283	11,089	118.98%
Net pension liability	1,685,320	2,319,582	-27.34%
Net OPEB liability	<u>158,912</u>	<u>138,623</u>	14.64%
	3,403,515	4,239,294	-19.72%
Business type activities			
Net pension liability	<u>25,665</u>	<u>35,324</u>	-27.34%
Total	<u>\$ 3,429,180</u>	<u>\$ 4,274,618</u>	-19.78%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of a few existing circumstances which could significantly affect its financial health in the future:

- The District continues to evaluate the condition of transportation vehicles and the rotation for replacement of these vehicles.
- The negotiation of salaries and benefits for all District employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District continues to monitor the certified enrollment. Decreased enrollment will have adverse effects on our budget and fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelli Forbes, District Secretary/Treasurer and Business Manager, Lone Tree Community School District, 303 S Devoe Street, Lone Tree, Iowa, 52755.

Basic Financial Statements

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,772,100	\$ 80,702	\$1,852,802
Receivables			
Property tax			
Delinquent	11,304	-	11,304
Succeeding year	1,739,283	-	1,739,283
Accounts receivable	6,571	375	6,946
Income surtax	191,064	-	191,064
Due from other governments	165,319	-	165,319
Inventories	-	6,250	6,250
Non-depreciable capital assets	162,365	-	162,365
Capital assets, net of accumulated depreciation	3,549,516	6,508	3,556,024
Total assets	<u>7,597,522</u>	<u>93,835</u>	<u>7,691,357</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>379,732</u>	<u>9,200</u>	<u>388,932</u>
Liabilities			
Accounts payable	147,696	2,016	149,712
Accrued interest payable	6,505	-	6,505
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	245,000	-	245,000
Termination benefits	4,874	-	4,874
Portion due after one year			
General obligation bonds payable	1,290,000	-	1,290,000
Termination benefits	19,409	-	19,409
Net pension liability	1,685,320	25,665	1,710,985
Net OPEB liability	158,912	-	158,912
Total liabilities	<u>3,557,716</u>	<u>27,681</u>	<u>3,585,397</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	1,739,283	-	1,739,283
Pension related deferred inflows	642,736	9,787	652,523
Total deferred inflows of resources	<u>2,382,019</u>	<u>9,787</u>	<u>2,391,806</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 2,176,881	\$ 6,508	\$2,183,389
Restricted for			
Categorical funding	68,784	-	68,784
Student activities	103,318	-	103,318
Management levy purposes	28,342	-	28,342
Physical plant and equipment	178,909	-	178,909
Debt service	2,200	-	2,200
School infrastructure	545,249	-	545,249
Unrestricted	(1,066,164)	59,059	(1,007,105)
Total net position	<u>\$ 2,037,519</u>	<u>\$ 65,567</u>	<u>\$2,103,086</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs</u>							
Governmental activities							
Instruction							
Regular instruction	\$3,185,647	\$ 804,928	\$515,380	\$ -	\$(1,865,339)	\$ -	\$(1,865,339)
Special instruction	2,868	110,660	19,439	-	127,231	-	127,231
Other instruction	195,255	7,512	9,052	-	(178,691)	-	(178,691)
	3,383,770	923,100	543,871	-	(1,916,799)	-	(1,916,799)
Support services							
Student	110,344	-	13,740	-	(96,604)	-	(96,604)
Instructional staff	162,355	-	-	-	(162,355)	-	(162,355)
Administration	650,083	-	-	-	(650,083)	-	(650,083)
Operation and maintenance of plant	455,942	-	-	-	(455,942)	-	(455,942)
Transportation	173,842	-	868	-	(172,974)	-	(172,974)
	1,552,566	-	14,608	-	(1,537,958)	-	(1,537,958)
	15,162	-	-	-	(15,162)	-	(15,162)
Non-instructional programs							
Other expenses							
Facilities acquisition	154,567	-	-	-	(154,567)	-	(154,567)
Long-term debt interest	43,468	-	-	-	(43,468)	-	(43,468)
AEA flowthrough	168,269	-	168,269	-	-	-	-
Depreciation (unallocated) *	87,642	-	-	-	(87,642)	-	(87,642)
	453,946	-	168,269	-	(285,677)	-	(285,677)
	5,405,444	923,100	726,748	-	(3,755,596)	-	(3,755,596)
Total governmental activities							

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest			
	Expenses	Charges for Services		Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 232,077	\$ 97,978	\$ -	\$ -	\$ (134,099)	\$ (134,099)
Preschool program	-	13,842	139,592	-	153,434	153,434
Total business type activities	232,077	111,820	139,592	-	19,335	19,335
Total	\$5,637,521	\$1,034,920	\$866,340	\$ -	19,335	(3,736,261)
<u>General Revenues</u>						
Property tax levied for						
General purposes				1,533,732	-	1,533,732
Debt service				281,248	-	281,248
Capital outlay				146,714	-	146,714
Statewide sales, services and use tax				385,472	-	385,472
Unrestricted state grants				1,724,009	-	1,724,009
Unrestricted investment earnings				579	50	629
Other				6,114	-	6,114
Special item – loss on disposal of fixed assets				(993)	-	(993)
Total general revenues and special item				4,076,875	50	4,076,925
Change in net position				321,279	19,385	340,664
Net position beginning of year, as restated				1,716,240	46,182	1,762,422
Net position end of year				\$ 2,037,519	\$ 65,567	\$ 2,103,086

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 917,514	\$481,578	\$ 6,734	\$356,896	\$1,762,722
Receivables					
Property tax					
Delinquent	7,574	-	1,971	1,759	11,304
Succeeding year	1,205,536	-	269,599	264,148	1,739,283
Accounts receivable	1,143	-	-	5,428	6,571
Income surtax	191,064	-	-	-	191,064
Due from other governments	105,821	59,498	-	-	165,319
Total assets	<u>\$2,428,652</u>	<u>\$541,076</u>	<u>\$278,304</u>	<u>\$628,231</u>	<u>\$3,876,263</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 122,638	\$ 4,993	\$ -	\$ 20,065	\$ 147,696
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	1,205,536	-	269,599	264,148	1,739,283
Income surtax	191,064	-	-	-	191,064
Total deferred inflows of resources	<u>1,396,600</u>	<u>-</u>	<u>269,599</u>	<u>264,148</u>	<u>1,930,347</u>
Fund balances					
Restricted for					
Categorical funding	68,784	-	-	-	68,784
School infrastructure	-	536,083	-	9,166	545,249
Debt service	-	-	8,705	-	8,705
Student activities	-	-	-	103,318	103,318
Management levy purposes	-	-	-	52,625	52,625
Physical plant and equipment	-	-	-	178,909	178,909
Unassigned	840,630	-	-	-	840,630
Total fund balances	<u>909,414</u>	<u>536,083</u>	<u>8,705</u>	<u>344,018</u>	<u>1,798,220</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,428,652</u>	<u>\$541,076</u>	<u>\$278,304</u>	<u>\$628,231</u>	<u>\$3,876,263</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2015

Exhibit D

Total fund balances of governmental funds	\$1,798,220
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,711,881
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Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	191,064
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(6,505)
--	---------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	\$379,732	
Deferred inflows of resources	<u>(642,736)</u>	(263,004)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	9,378
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Long-term liabilities, including bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(3,403,515)</u>
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Net position of governmental activities	<u>\$2,037,519</u>
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LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

		Capital Projects			
		Statewide		Nonmajor	
		Sales, Services	Debt	Governmental	
Revenues	<u>General</u>	<u>and Use Tax</u>	<u>Service</u>	<u>Funds</u>	<u>Total</u>
Local sources					
Local tax	\$1,404,109	\$ -	\$281,141	\$ 263,588	\$1,948,838
Tuition	666,182	-	-	-	666,182
Other	42,650	-	-	229,168	271,818
State sources	2,301,717	385,472	107	105	2,687,401
Federal sources	135,798	-	-	-	135,798
Total revenues	<u>4,550,456</u>	<u>385,472</u>	<u>281,248</u>	<u>492,861</u>	<u>5,710,037</u>
Expenditures					
Current					
Instruction					
Regular	1,764,366	1,044	-	28,657	1,794,067
Special	636,042	-	-	-	636,042
Other	661,012	-	-	215,243	876,255
	<u>3,061,420</u>	<u>1,044</u>	<u>-</u>	<u>243,900</u>	<u>3,306,364</u>
Support services					
Student	112,378	-	-	448	112,826
Instructional staff	161,042	179,657	-	601	341,300
Administration	651,509	3,906	-	7,071	662,486
Operation and maintenance of plant	423,791	10,011	-	34,096	467,898
Transportation	119,326	99,256	-	10,046	228,628
	<u>1,468,046</u>	<u>292,830</u>	<u>-</u>	<u>52,262</u>	<u>1,813,138</u>
Non-instructional programs	-	-	-	214	214
Other expenditures					
Facilities acquisition	-	56,567	-	98,000	154,567
Long-term debt					
Principal	-	-	235,000	-	235,000
Interest and fiscal charges	-	-	44,055	-	44,055
AEA flowthrough	168,269	-	-	-	168,269
	<u>168,269</u>	<u>56,567</u>	<u>279,055</u>	<u>98,000</u>	<u>601,891</u>
Total expenditures	<u>4,697,735</u>	<u>350,441</u>	<u>279,055</u>	<u>394,376</u>	<u>5,721,607</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (147,279)</u>	<u>\$ 35,031</u>	<u>\$ 2,193</u>	<u>\$ 98,485</u>	<u>\$ (11,570)</u>
Other financing sources (uses)					
Sale of equipment and materials	5,533	-	-	-	5,533
Interfund operating transfers in	13,489	-	-	-	13,489
Interfund operating transfers (out)	-	-	-	(13,489)	(13,489)
Total other financing sources (uses)	<u>19,022</u>	<u>-</u>	<u>-</u>	<u>(13,489)</u>	<u>5,533</u>
Change in fund balances	(128,257)	35,031	2,193	84,996	(6,037)
Fund balance, beginning of year	<u>1,037,671</u>	<u>501,052</u>	<u>6,512</u>	<u>259,022</u>	<u>1,804,257</u>
Fund balance, end of year	<u>\$ 909,414</u>	<u>\$ 536,083</u>	<u>\$ 8,705</u>	<u>\$ 344,018</u>	<u>\$1,798,220</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Exhibit F

Change in fund balances - total governmental funds \$ (6,037)
Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 306,064	
Loss on disposal of capital assets	(993)	
Depreciation expense	<u>(316,176)</u>	(11,105)

Certain revenues not collected for several months after year-end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 12,146

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 1,231

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 235,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(13,194)	
Pensions expense	(133,333)	
Other postemployment benefits	<u>(20,289)</u>	(166,816)

Interest on long-term debt in the Statement of Activities differs from the expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 587

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 256,273

Change in net position of governmental activities \$ 321,279

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit G

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 80,702	\$9,378
Accounts receivable	375	-
Inventories	6,250	-
Total current assets	87,327	9,378
Noncurrent assets		
Capital assets, net of accumulated depreciation	6,508	-
Total assets	<u>93,835</u>	<u>9,378</u>
 Deferred Outflows of Resources		
Pension related deferred outflows	<u>9,200</u>	-
 Liabilities		
Current liabilities		
Accounts payable	2,016	-
Noncurrent liabilities		
Net pension liability	25,665	-
Total liabilities	<u>27,681</u>	-
 Deferred Inflows of Resources		
Pension related deferred inflows	<u>9,787</u>	-
 Net Position		
Investment in capital assets	6,508	-
Unrestricted	59,059	9,378
Total net position	<u>\$ 65,567</u>	<u>\$9,378</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit H

	Business Type	Governmental
	<u>Activities</u>	<u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$111,820</u>	<u>\$ 16,179</u>
Operating expenses		
Support services		
Operation and maintenance of plant		
Purchased services	<u>7,585</u>	<u>-</u>
	<u>7,585</u>	<u>-</u>
Non-instructional programs		
Food service operations		
Salaries	88,358	-
Benefits	13,546	-
Supplies	121,478	-
Miscellaneous	335	-
Depreciation	<u>775</u>	<u>-</u>
	<u>224,492</u>	<u>-</u>
Other enterprise operations		
Purchased services	<u>-</u>	<u>14,948</u>
Total operating expenses	<u>232,077</u>	<u>14,948</u>
Operating income (loss)	<u>(120,257)</u>	<u>1,231</u>
Non-operating revenue		
Interest income	50	-
State sources	2,168	-
Federal sources	<u>137,424</u>	<u>-</u>
Total non-operating revenue	<u>139,642</u>	<u>-</u>
Change in net position	19,385	1,231
Net position beginning of year, as restated	<u>46,182</u>	<u>8,147</u>
Net position end of year	<u>\$ 65,567</u>	<u>\$ 9,378</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit I

	Business Type <u>Activities</u>	Governmental <u>Activity</u>
	Nonmajor <u>Enterprise</u>	Internal <u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 111,445	\$ 16,179
Cash payments to employees for services	(107,194)	-
Cash payments to suppliers for goods and services	(101,471)	(14,948)
Net cash provided by (used in) operating activities	<u>(97,220)</u>	<u>1,231</u>
Cash flows from non-capital financing activities		
State grants received	2,168	-
Federal grants received	108,718	-
Net cash provided by non-capital financing activities	<u>110,886</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(2,251)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>50</u>	<u>-</u>
Net increase in cash and cash equivalents	11,465	1,231
Cash and cash equivalents, beginning of year	69,237	8,147
Cash and cash equivalents, end of year	<u>\$ 80,702</u>	<u>\$ 9,378</u>

**Reconciliation of operating income (loss) to net cash provided by
(used in) operating activities**

Operating income (loss)	\$(120,257)	\$ 1,231
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	775	-
Commodities used	28,706	-
(Increase) in inventory	(2,533)	-
(Increase) in accounts receivable	(375)	-
Increase in accounts payable	1,754	-
(Increase) in deferred outflows of resources	(5,418)	-
Increase in deferred inflows of resources	9,787	-
(Decrease) in net pension liability	(9,659)	-
Net cash provided by (used in) operating activities	<u>\$ (97,220)</u>	<u>\$ 1,231</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2015, the District received \$28,706 of federal commodities.

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$5,254
Liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u>\$5,254</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$1,750
Interest	<u>6</u>
Total additions	1,756
Deductions	
Instruction, regular	
Scholarships	<u>1,950</u>
Change in net position	(194)
Net position beginning of year	<u>5,448</u>
Net position end of year	<u><u>5,254</u></u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies

The Lone Tree Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, as well as a regular education preschool program. The geographic area served includes the City of Lone Tree, Iowa, and the agricultural territory in Johnson and Louisa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lone Tree Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lone Tree Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service operations and preschool program of the District, respectively. Additionally, the District reports an Internal Service Fund which is used to account for the flex-benefit plan for District employees.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	\$ 500
Improvements other than buildings	\$ 500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtaxes not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balance are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$103,318 for student activities, \$28,342 for management levy purposes, \$178,909 for physical plant and equipment and \$545,249 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,394,877, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 162,365	\$ -	\$ -	\$ 162,365

Capital assets being depreciated:

Buildings & improvements	4,601,799	-	-	4,601,799
Improvements other than buildings	326,579	-	-	326,579
Furniture and equipment	<u>2,191,839</u>	<u>306,064</u>	<u>(49,636)</u>	<u>2,448,267</u>
Total capital assets being depreciated	<u>7,120,217</u>	<u>306,064</u>	<u>(49,636)</u>	<u>7,376,645</u>

Less accumulated depreciation for:

Buildings and improvements	1,838,957	78,942	-	1,917,899
Improvements other than buildings	326,579	-	-	326,579
Furniture and equipment	<u>1,394,060</u>	<u>237,234</u>	<u>(48,643)</u>	<u>1,582,651</u>
Total accumulated depreciation	<u>3,559,596</u>	<u>316,176</u>	<u>(48,643)</u>	<u>3,827,129</u>

Total capital assets being depreciated, net	<u>3,560,621</u>	<u>(10,112)</u>	<u>(993)</u>	<u>3,549,516</u>
Governmental activities capital assets, net	<u>\$ 3,722,986</u>	<u>\$ (10,112)</u>	<u>\$ (993)</u>	<u>\$ 3,711,881</u>

Business type activities

Furniture and equipment	\$ 171,478	\$ 2,251	\$ -	\$ 173,729
Less accumulated depreciation	<u>166,446</u>	<u>775</u>	<u>-</u>	<u>167,221</u>
Business type activities capital assets, net	<u>\$ 5,032</u>	<u>\$ 1,476</u>	<u>\$ -</u>	<u>\$ 6,508</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 166,070
Support services	
Student support	201
Instructional staff	2,577
Administration	8,007
Operation and maintenance of plant	5,102
Transportation	<u>46,577</u>
	228,534
Unallocated depreciation	<u>87,642</u>
Total governmental activities depreciation expense	<u>\$ 316,176</u>

Business type activities

Food services	<u>\$ 775</u>
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Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Refunding bonds	\$ 1,770,000	\$ -	\$(235,000)	\$ 1,535,000	\$ 245,000
Termination benefits	11,089	20,000	(6,806)	24,283	4,874
Net pension liability	2,319,582	-	(634,262)	1,685,320	-
Net OPEB obligation	<u>138,623</u>	<u>22,361</u>	<u>(2,072)</u>	<u>158,912</u>	<u>-</u>
Totals	<u>\$ 4,239,294</u>	<u>\$ 42,361</u>	<u>\$(878,140)</u>	<u>\$ 3,403,515</u>	<u>\$ 249,874</u>
Business type activities					
Net pension liability	<u>\$ 35,324</u>	<u>\$ -</u>	<u>\$ (9,659)</u>	<u>\$ 25,665</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$43,468 for the year ended June 30, 2015. During the year ended June 30, 2015, the District made principal payments on total long-term debt of \$235,000.

Bond Refunding

On December 22, 2010, the District issued \$2,230,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 3.15%, for a crossover refunding of the general obligation bonds issued March 1, 2002. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. securities. These securities were placed in an escrow account for the express purpose of paying the \$2,310,000 principal on the refunded general obligation bonds when they became callable on May 1, 2012 and the interest on the refunding bonds. The bonds were called and redeemed on May 1, 2012 and are considered extinguished therefore have been removed from the District's financial statements.

The District refunded the bonds to reduce its total debt service payments by approximately \$160,091 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$139,437.

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation indebtedness are as follows:

<u>Year Ending June 30.</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.800%	\$ 245,000	\$ 39,030	\$ 284,030
2017	2.100%	245,000	34,620	279,620
2018	2.400%	250,000	29,475	279,475
2019	2.700%	260,000	23,475	283,475
2020	3.000%	265,000	16,455	281,455
2021	3.150%	270,000	8,505	278,505
Total		<u>\$ 1,535,000</u>	<u>\$ 151,560</u>	<u>\$ 1,686,560</u>

Termination Benefits

During the year ended June 30, 2015, the District offered a voluntary early retirement plan to its full-time licensed employees. Eligible employees must have completed at least thirty years of full-time service to the District and must have attained the age of fifty-five years on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The Board makes a determination of whether or not to offer the plan by January 15 of each year.

Participating employees are given a \$15,000 credit to pay their health insurance premiums. The District uses the participating retiree's credit to pay for the retiree's single or family health insurance premiums under the District's current health insurance plan or any subsequent plan, for as long as the retiree meets the insurer's qualifications. The participating retiree receives the same level of coverage that they received for the last two years of employment with the District; however the participating retiree can choose to receive single coverage if they previously received family coverage. The District uses the participating retiree's credit to pay for health insurance coverage until the earliest of the following:

- 1) The amount of the participating retiree's credit is exhausted;
- 2) The insurer no longer permits the participating employee to be covered; or
- 3) The participating retiree dies.

At June 30, 2015, the District had obligations to two participants with a total liability of \$24,283. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$6,806.

Note 5. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial

liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$263,592.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,710,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.017709 percent, which was an increase of 0.000686 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$135,362. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,595	\$ -
Changes of assumptions	75,510	-
Net difference between projected and actual earnings on pension plan investments	-	652,523
Changes in proportion and differences between District contributions and proportionate share of contributions	31,235	-
District contributions subsequent to the measurement date	<u>263,592</u>	<u>-</u>
Total	<u>\$ 388,932</u>	<u>\$ 652,523</u>

\$263,592 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (133,846)
2017	(133,846)
2018	(133,846)
2019	(133,846)
2020	8,201
Total	<u>\$ (527,183)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$3,232,878	\$1,710,985	\$426,369

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported no payables to the defined benefit pension for legally required employer contributions or legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 62 active and three retired members in the plan. Of the 62 active members, 17 waived coverage and one was older than 65 and were excluded from the valuation. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 27,910
Interest on net OPEB obligation	3,466
Adjustment to annual required contribution	<u>(9,015)</u>
Annual OPEB cost	22,361
Contributions made	<u>(2,072)</u>
Increase in net OPEB obligation	20,289
Net OPEB obligation beginning of year	<u>138,623</u>
Net OPEB obligation end of year	<u>\$ 158,912</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$2,072 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended <u>June 30,</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 21,529	16.1%	\$ 120,340
2014	22,539	18.9%	\$ 138,623
2015	22,361	9.3%	\$ 158,912

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$156,688, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$156,688. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.9 million and the ratio of UAAL to covered payroll was 5.3%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Upon retirement, the retired participant is assumed to pay 100% of the required premium. The District pays for all or part of the active employees' coverage. The amount depends on whether single or family coverage is elected. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The

District's actual amount for this purpose totaled \$168,269 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Flexible Fringe Benefits Plan

The District sponsors a flexible fringe benefit plan as part of its contractual obligation with its employees. The benefit available under the plan is insurance. Each participating employee can choose among medical, life, and dental insurance. The District contributes \$375.00 per month each employee. The difference between the District's contribution and the amount of programs selected by the employee is added or subtracted from the employee's salary. There were 33 participants in the plan for the year ended June 30, 2015.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program

Home school assistance program	\$ 1,910
Teacher salary supplement	1,214
Class size reduction	8,972
Statewide voluntary preschool	27,437
Early readers program	<u>29,251</u>
	<u>\$ 68,784</u>

Note 12. Prospective Accounting Change

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for the state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 3,787,504	\$ 77,724
Net pension liability at June 30, 2014	(2,319,582)	(35,324)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>248,318</u>	<u>3,782</u>
Net position July 1, 2014, as restated	<u>\$ 1,716,240</u>	<u>\$ 46,182</u>

Note 13. Deficit Net Position

The District's Enterprise, School Nutrition Fund had a negative unrestricted net position and negative total net position of \$14,265 and \$7,757, respectively, at June 30, 2015. The District's governmental activities also had negative unrestricted net position of \$1,066,164 at June 30, 2015.

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Nonmajor Student Activities Fund	<u>\$ 13,489</u>
Totals		<u>\$ 13,489</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Student Activity Fund to the General Fund were to reimburse expenditures.

Required Supplementary Information

LONE TREE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual

All Governmental Funds and Enterprise Funds

Required Supplementary Information

For the Year Ended June 30, 2015

	Governmental Funds <u>Actual</u>	Enterprise Funds <u>Actual</u>	Total <u>Actual</u>	Budgeted Amounts <u>Original</u> <u>Final</u>	Final to Actual Variance
Revenues					
Local sources	\$ 2,886,838	\$ 111,870	\$ 2,998,708	\$ 3,435,958	\$ (437,250)
State sources	2,687,401	2,168	2,689,569	2,328,571	360,998
Federal sources	135,798	137,424	273,222	350,292	(77,070)
Total revenues	<u>5,710,037</u>	<u>251,462</u>	<u>5,961,499</u>	<u>6,114,821</u>	<u>(153,322)</u>
Expenditures/Expenses					
Instruction	3,306,364	-	3,306,364	3,400,000	93,636
Support services	1,813,138	7,585	1,820,723	1,897,650	76,927
Non-instructional programs	214	224,492	224,706	250,250	25,544
Other expenditures	601,891	-	601,891	927,600	325,709
Total expenditures/expenses	<u>5,721,607</u>	<u>232,077</u>	<u>5,953,684</u>	<u>6,475,500</u>	<u>521,816</u>
Excess (deficiency) of revenues over (under)					
expenditures/expenses	(11,570)	19,385	7,815	(360,679)	368,494
Net other financing sources	<u>5,533</u>	<u>-</u>	<u>5,533</u>	<u>-</u>	<u>5,533</u>
Excess (deficiency) revenues and other financing					
sources over (under) expenditures/expenses	(6,037)	19,385	13,348	(360,679)	374,027
Balance, beginning of year, as restated	<u>1,804,257</u>	<u>46,182</u>	<u>1,850,439</u>	<u>1,568,401</u>	<u>282,038</u>
Balance, end of year	<u>\$ 1,798,220</u>	<u>\$ 65,567</u>	<u>\$ 1,863,787</u>	<u>\$ 1,207,722</u>	<u>\$ 656,065</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.017709%
District's proportionate share of the net pension liability	\$ 1,710,985
District's covered-employee payroll	\$ 2,951,758
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.96%
Plan fiduciary net position as a percentnage of the total pension liability	87.61%

*The amounts preseneted for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

LONE TREE COMMUNITY SCHOOL DISTRICT
 Schedule of District Contributions
 Iowa Public Employees' Retirement System
 Last 10 Fiscal Years
 Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 263,592	\$ 252,100	\$ 233,222	\$ 215,448	\$ 152,930	\$ 172,676	\$ 141,280	\$ 147,734	\$ 132,189	\$ 118,129
Contributions in relation to the statutorily required contribution	<u>(263,592)</u>	<u>(252,100)</u>	<u>(233,222)</u>	<u>(215,448)</u>	<u>(152,930)</u>	<u>(172,676)</u>	<u>(141,280)</u>	<u>(147,734)</u>	<u>(132,189)</u>	<u>(118,129)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$2,951,758	\$2,823,068	\$2,689,988	\$2,669,740	\$2,200,432	\$2,596,632	\$2,224,882	\$2,441,884	\$2,298,939	\$2,054,417
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Lone Tree Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Lone Tree Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$325,262	\$325,262	\$ -	\$2,710,991	12.0%
2011	July 1, 2009	-	325,262	325,262	-	2,760,856	11.8%
2012	July 1, 2009	-	325,262	325,262	-	2,672,190	12.2%
2013	July 1, 2012	-	158,903	158,903	-	2,716,529	5.8%
2014	July 1, 2012	-	156,688	156,688	-	2,820,711	5.6%
2015	July 1, 2012	-	156,688	156,688	-	2,940,033	5.3%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

LONE TREE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student</u>	<u>Management</u>	<u>Building</u>	<u>Physical</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Plant and</u>	
				<u>Equipment</u>	<u>Total</u>
				<u>Levy</u>	
Assets					
Cash, cash equivalents and pooled investments	\$116,845	\$ 51,894	\$9,166	\$178,991	\$356,896
Receivables					
Property tax					
Delinquent	-	731	-	1,028	1,759
Succeeding year	-	116,000	-	148,148	264,148
Accounts receivable	5,428	-	-	-	5,428
Total assets	<u>\$122,273</u>	<u>\$ 168,625</u>	<u>\$9,166</u>	<u>\$328,167</u>	<u>\$628,231</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	<u>\$ 18,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ 20,065</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	<u>-</u>	<u>116,000</u>	<u>-</u>	<u>148,148</u>	<u>264,148</u>
Fund balances					
Restricted for					
Student activities	103,318	-	-	-	103,318
Management levy purposes	-	52,625	-	-	52,625
School infrastructure	-	-	9,166	-	9,166
Physical plant and equipment	-	-	-	178,909	178,909
Total fund balances	<u>103,318</u>	<u>52,625</u>	<u>9,166</u>	<u>178,909</u>	<u>344,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$122,273</u>	<u>\$ 168,625</u>	<u>\$9,166</u>	<u>\$328,167</u>	<u>\$628,231</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>Student</u>	<u>Management</u>	<u>Building</u>	<u>Physical</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Plant and</u>	
				<u>Equipment</u>	<u>Total</u>
				<u>Levy</u>	
Revenues					
Local sources					
Local taxes	\$ -	\$116,930	\$ -	\$146,658	\$ 263,588
Other	228,519	583	-	66	229,168
State sources	-	49	-	56	105
Total revenues	<u>228,519</u>	<u>117,562</u>	<u>-</u>	<u>146,780</u>	<u>492,861</u>
Expenditures					
Current					
Instruction					
Regular	-	28,657	-	-	28,657
Other	<u>215,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,243</u>
Total instruction	<u>215,243</u>	<u>28,657</u>	<u>-</u>	<u>-</u>	<u>243,900</u>
Support services					
Student	-	448	-	-	448
Instructional staff	-	601	-	-	601
Administration	-	7,071	-	-	7,071
Operation and maintenance of plant	-	32,685	-	1,411	34,096
Transportation	<u>-</u>	<u>10,046</u>	<u>-</u>	<u>-</u>	<u>10,046</u>
Total support services	<u>-</u>	<u>50,851</u>	<u>-</u>	<u>1,411</u>	<u>52,262</u>
Non-instructional programs	<u>-</u>	<u>214</u>	<u>-</u>	<u>-</u>	<u>214</u>
Other expenditures					
Facilities acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,000</u>	<u>98,000</u>
Total expenditures	<u>215,243</u>	<u>79,722</u>	<u>-</u>	<u>99,411</u>	<u>394,376</u>
Excess of revenues over expenditures	13,276	37,840	-	47,369	98,485
Other financing (uses)					
Interfund operating transfers (out)	<u>(13,489)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,489)</u>
Net change in fund balances	(213)	37,840	-	47,369	84,996
Fund balances, beginning of year	103,531	14,785	9,166	131,540	259,022
Fund balances, end of year	<u>\$103,318</u>	<u>\$ 52,625</u>	<u>\$ 9,166</u>	<u>\$178,909</u>	<u>\$ 344,018</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 7,753	\$72,949	\$80,702
Accounts receivable	-	375	375
Inventories	6,250	-	6,250
Total current assets	14,003	73,324	87,327
Noncurrent assets			
Capital assets, net of accumulated depreciation	6,508	-	6,508
Total assets	<u>20,511</u>	<u>73,324</u>	<u>93,835</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>9,200</u>	<u>-</u>	<u>9,200</u>
Liabilities			
Current liabilities			
Accounts payable	2,016	-	2,016
Noncurrent liabilities			
Net pension liability	25,665	-	25,665
Total liabilities	<u>27,681</u>	<u>-</u>	<u>27,681</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>9,787</u>	<u>-</u>	<u>9,787</u>
Net Position			
Investment in capital assets	6,508	-	6,508
Unrestricted	(14,265)	73,324	59,059
Total net position	<u>\$ (7,757)</u>	<u>\$73,324</u>	<u>\$65,567</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 97,978	\$13,842	\$111,820
Operating expenses			
Support services			
Operation and maintenance of plant			
Purchased services	7,585	-	7,585
Non-instructional programs			
Food service operations			
Salaries	88,358	-	88,358
Benefits	13,546	-	13,546
Supplies	121,478	-	121,478
Miscellaneous	335	-	335
Depreciation	775	-	775
	<u>224,492</u>	<u>-</u>	<u>224,492</u>
Total operating expenses	<u>232,077</u>	<u>-</u>	<u>232,077</u>
Operating income (loss)	<u>(134,099)</u>	<u>13,842</u>	<u>(120,257)</u>
Non-operating revenue			
Interest income	12	38	50
State sources	2,168	-	2,168
Federal sources	137,424	-	137,424
Total non-operating revenue	<u>139,604</u>	<u>38</u>	<u>139,642</u>
Change in net position	5,505	13,880	19,385
Net position beginning of year, as restated	<u>(13,262)</u>	<u>59,444</u>	<u>46,182</u>
Net position end of year	<u>\$ (7,757)</u>	<u>\$73,324</u>	<u>\$ 65,567</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 97,978	\$13,467	\$ 111,445
Cash payments to employees for services	(107,194)	-	(107,194)
Cash payments to suppliers for goods and services	(101,471)	-	(101,471)
Net cash provided by (used in) operating activities	<u>(110,687)</u>	<u>13,467</u>	<u>(97,220)</u>
Cash flows from non-capital financing activities			
State grants received	2,168	-	2,168
Federal grants received	108,718	-	108,718
Net cash provided by non-capital financing activities	<u>110,886</u>	<u>-</u>	<u>110,886</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(2,251)	-	(2,251)
Cash flows from investing activities			
Interest on investments	12	38	50
Net increase (decrease) in cash and cash equivalents	(2,040)	13,505	11,465
Cash and cash equivalents, beginning of year	9,793	59,444	69,237
Cash and cash equivalents, end of year	<u>\$ 7,753</u>	<u>\$72,949</u>	<u>\$ 80,702</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$(134,099)	\$13,842	\$(120,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	775	-	775
Commodities used	28,706	-	28,706
(Increase) in inventory	(2,533)	-	(2,533)
(Increase) in accounts receivable	-	(375)	(375)
Increase in accounts payable	1,754	-	1,754
(Increase) in deferred outflows of resources	(5,418)	-	(5,418)
Increase in deferred inflows of resources	9,787	-	9,787
(Decrease) in net pension liability	(9,659)	-	(9,659)
Net cash provided by (used in) operating activities	<u>\$(110,687)</u>	<u>\$13,467</u>	<u>\$ (97,220)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2015, the District received \$28,706 of federal commodities.

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Drama	\$ -	\$ 1,902	\$ 1,902	\$ -
Speech	821	20	429	412
Vocal choir	1,206	1,672	796	2,082
Band activity	7,379	2,425	5,730	4,074
Athletics	-	38,043	38,043	-
Cross country	126	557	613	70
Boys' basketball	777	12,682	12,763	696
Youth boys' basketball	1,683	-	-	1,683
Football	2,315	18,435	16,643	4,107
Boys' baseball	380	11,199	9,392	2,187
Boys Track	603	-	-	603
Golf	208	-	160	48
Wrestling	138	2,705	2,332	511
Girls' basketball	471	7,411	6,712	1,170
Volleyball	1,090	17,821	12,565	6,346
Softball	130	8,190	7,796	524
Student council	1,092	-	240	852
Annual	1,352	2,946	2,639	1,659
Newspaper	684	-	-	684
National Honor Society	130	240	366	4
Cheerleading	995	-	434	561
ELP	170	-	-	170
PBS	749	-	-	749
FFA	8,880	32,671	34,858	6,693
FFA projects	8,522	-	-	8,522
FCCLA	529	856	1,378	7
Elementary play fund	1,250	1,638	2,888	-
Project Pride	455	-	-	455
Math and science club	454	-	-	454
Art club	670	-	-	670
Art projects	225	-	-	225
Spanish club	3,075	106	865	2,316
Special	3,389	11,752	4,867	10,274

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Interest	\$ 1,844	\$ 5,547	\$ 2,820	\$ 4,571
JH student council	131	-	-	131
Elementary student council	13,227	14,038	12,142	15,123
Music boosters club	733	-	-	733
Dance squad	4,645	357	2,673	2,329
Parent partner activity	1,820	-	-	1,820
Class of 2007	531	-	531	-
Class of 2008	491	-	21	470
Class of 2009	1,046	-	-	1,046
Class of 2010	1,828	-	-	1,828
Class of 2011	453	-	-	453
Class of 2012	810	-	-	810
Class of 2013	679	-	-	679
Class of 2014	1,722	-	-	1,722
Class of 2015	3,192	4,600	6,416	1,376
Class of 2016	20	9,956	8,089	1,887
Class of 2017	10	740	650	100
Class of 2018	-	248	248	-
Class of 2019	-	614	614	-
Class of 2020	-	96	96	-
Class of 2021	-	3,815	3,815	-
Athletic banquet fund	267	-	-	267
Fine arts fund	4,957	7,630	6,918	5,669
Lone Tree Café	698	-	-	698
Memorial	13,489	-	13,489	-
Middle school activities	<u>990</u>	<u>7,607</u>	<u>5,799</u>	<u>2,798</u>
Totals	<u>\$ 103,531</u>	<u>\$ 228,519</u>	<u>\$ 228,732</u>	<u>\$ 103,318</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues										
Local sources										
Local tax	\$1,948,838	\$1,914,663	\$2,200,045	\$2,320,542	\$2,252,685	\$2,156,694	\$2,163,875	\$1,996,416	\$1,549,107	\$1,471,911
Tuition	666,182	667,265	468,489	540,903	518,052	481,370	505,364	500,922	482,877	500,515
Other	271,818	321,671	258,167	271,455	278,448	231,051	238,676	292,365	389,636	286,616
State sources	2,687,401	2,833,232	2,281,693	2,232,465	2,081,684	1,724,522	1,895,048	1,782,615	1,645,153	1,555,008
Federal sources	135,798	122,056	149,308	114,414	275,724	330,693	144,465	105,142	108,460	102,010
Total revenues	\$5,710,037	\$5,858,887	\$5,357,702	\$5,479,779	\$5,406,593	\$4,924,330	\$4,947,428	\$4,677,460	\$4,175,233	\$3,916,060
Expenditures										
Current										
Instruction										
Regular	\$1,794,067	\$1,781,200	\$1,664,555	\$1,662,365	\$1,812,921	\$1,648,885	\$1,632,057	\$1,740,169	\$1,583,853	\$1,768,978
Special	636,042	565,583	520,214	505,948	565,252	470,654	473,013	433,192	429,335	21,694
Other	876,255	846,969	788,919	770,522	778,616	852,776	671,197	524,480	550,726	509,967
Support services										
Student	112,826	110,921	107,497	95,066	80,622	96,756	100,401	111,851	118,810	110,542
Instructional staff	341,300	305,425	406,852	350,098	197,384	129,707	153,055	105,427	120,640	72,594
Administration	662,486	627,476	616,625	570,269	575,115	547,561	540,130	530,132	471,290	429,260
Operation and maintenance of plant	467,898	551,325	503,629	444,320	505,655	460,863	422,496	418,067	389,579	379,940
Transportation	228,628	175,159	266,360	131,612	118,941	215,215	119,116	142,995	122,138	131,664
Non-instructional programs	214	215	197	174	569	154	161	149	134	107
Other expenditures										
Facilities acquisition	154,567	276,570	460,691	199,299	148,563	157,567	324,702	439,356	108,182	122,632
Long-term debt										
Principal	235,000	230,000	230,000	2,310,000	175,000	165,000	160,000	150,000	145,000	135,000
Interest and other charges	44,055	46,815	49,115	160,864	180,593	124,663	132,613	140,112	147,363	154,112
AEA flowthrough	168,269	168,746	157,134	153,617	168,011	153,772	139,660	128,211	120,260	113,111
Total expenditures	\$5,721,607	\$5,686,404	\$5,771,788	\$7,354,154	\$5,307,242	\$5,023,573	\$4,868,601	\$4,864,141	\$4,307,310	\$3,949,601

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Lone Tree Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lone Tree Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lone Tree Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Lone Tree Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiency described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lone Tree Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lone Tree Community School District's Responses to the Findings

Lone Tree Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Lone Tree Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Lone Tree Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 1, 2016

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Iowa Department of Education timely.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 501,052
Revenues		
Statewide sales and services tax revenue		385,472
Expenditures/transfers out		
School infrastructure		
Building improvements	\$ 56,567	
Equipment	<u>293,874</u>	<u>350,441</u>
Ending balance		<u>\$ 536,083</u>

LONE TREE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Balances - The District's Enterprise, School Nutrition Fund had a negative unrestricted net position and negative total net position of \$14,265 and \$7,757, respectively, and the governmental activities had negative unrestricted net position of \$1,066,164 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return the fund to a sound financial condition.

Response - These deficits were a result of adopting GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

LONE TREE COMMUNITY SCHOOL DISTRICT

Audit Staff
June 30, 2015

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant